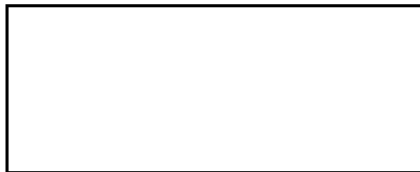


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1. This report covers an audit at various dates between 31 January and 30 April 1957 of Finance Division general ledger budgetary accounts listed below and subsidiary allotment records maintained by the eight area divisions.

- Account 135 - Confidential Funds Allotted for Confidential Operations
- Account 136 - Disbursements of Appropriated Funds Chargeable to Confidential Funds Allotments - DCI Certification
- Account 137 - Disbursements by Fiscal Chargeable to Confidential Funds Allotments - No DCI Certification
- Account 138 - Disbursements of Appropriated Funds Chargeable to Confidential Funds Allotments - Awaiting DCI Certification
- Account 510 - Unobligated Allotments
- Account 520 - Unliquidated Obligations
- Account 530 - Expended Appropriations

Our test of allotment records will be extended to a limited number of offices under the Deputy Director (Support), and our comments thereon will be included in a separate report.

2. The audit included a review of budgetary accounting procedures and an examination of selected transactions. We inquired into unliquidated obligations to the extent practicable and reviewed the status of allotments. Particular attention was given to the manner in which allotment records were maintained by the area divisions.

3. Allotment record procedures for Deputy Director (Plans) Headquarters allottees are contained in [ ] dated 30 June 1953. A condensed version of this notice was issued to Deputy Director (Intelligence) allottees and to the Office of Training effective 1 July 1955, as announced in Comptroller Notice No. 16-55 of the same date. Individual Deputy Director (Support) allottees received a similar condensed version informally on various dates as they assumed responsibility for the maintenance of allotment control records.

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Status of fiscal years 1955 - 1956 allotment records

4. Summary balances shown in general ledger budgetary control accounts 510, 520, and 530 are itemized by project and by individual transaction on the subsidiary allotment control records maintained by allottees, and these records are an integral part of the Agency's official accounting system. In some instances, however, the allotment control records applicable to fiscal years 1955 and 1956 were not in agreement with the general ledger accounts. This was caused primarily by failure of allottees to maintain the allotment records on a current basis. Although complete and current maintenance of the allotment control records for a large number of projects for three active fiscal years is a good-sized job, it is usually the responsibility of only one or two employees. Often the employee(s) involved has been unable to cover all aspects of the work and has concentrated on the essential task of posting transactions applicable to the year then current. As a result, maintenance of the two prior years' records (in this instance fiscal years 1955 and 1956) has fallen behind considerably in some divisions.

5. Of the eight area divisions, only IO and EE Divisions were current on fiscal year 1955-1956 record-keeping. The other area divisions are working toward a current status for these years except for SE, NEA, and WH Divisions which consider it impracticable because of the prohibitive time expenditure involved in their particular cases (WH Division is hopeful of bringing its fiscal year 1956 records up to date). The Comptroller should review the situation in the latter divisions and determine the minimum action necessary to provide satisfactory subsidiary records under the circumstances. Some of the more important record-keeping duties which had not been performed in many cases subsequent to 30 June 1955 and 1956 were (a) current posting of expenditures and adjustment of previously obligated amounts, (b) monthly reconciliation of allotment control record totals with comparable Finance Division amounts, and (c) the monthly submission of a cumulative obligations report to Finance Division. Since the allotment control records are an integral part of the accounting system, every effort should be made to maintain them in a current and accurate manner. Failure to do so results in erroneous budgetary data for individual projects, misstatement of general ledger budgetary accounts, and loss of accounting control over unliquidated obligations. It is recommended that the Comptroller make periodic inspections of allotment records so as to render any necessary guidance and assistance to the allottees in the maintenance of these records. Such visits would also provide an excellent opportunity to discuss other budgetary and fiscal matters.

Status of fiscal year 1957 allotment records

6. Area division allotment records for fiscal year 1957 are generally in satisfactory condition. However, NEA and SE Divisions should give more attention to certain aspects of the work. Our recommendations to NEA Division on the maintenance of fiscal year 1957 records are contained in a separate memorandum. SE Division had not reconciled its allotment records to Finance Division balances. Also, it was difficult to locate specific obligating documents because project files generally did not differentiate between liquidated and unliquidated obligations and documents applicable to the three active years were intermingled. SE Division has already started corrective action on both these items. All area divisions should of course, maintain fiscal year 1957 and succeeding year records on a current basis and in the prescribed manner until the allotments lapse.

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Overobligation of allotments

7. Finance Division "Status of Allotments" report as of 30 April 1957 showed a fairly large number of individual area division allotments to be over-obligated (i.e., expenditures or obligations in excess of allotments). However, each area division stayed within the over-all limitation of total funds allotted to it. Overobligations taken from the Finance Division report are presented in the following tabulation. The overobligation may be increased or decreased when area divisions complete the reconciliation of allotment control records to Finance Division's balances.

Division	Overobligations					
	FY 1957		FY 1956		FY 1955	
	Number of Allotments	Amount	Number of Allotments	Amount	Number of Allotments	Amount
IO	1	\$ 3,176	1	\$ 1,515	1	\$ 2,059
EE	3	10,055	8	40,965	10	18,443
SE	3	10,594	9	43,317	5	54,404
NEA	9	39,618	32	178,156	23	289,718
SR	1	39,015	2	3,815	1	4,261
WH	13	18,819	34	63,291	17	37,699
WE	a/ 40	a/ 536,167	7	237,987	6	21,321
FE	4	48,108	30	195,598	9	299,522
	<u>74</u>	<u>\$705,552</u>	<u>123</u>	<u>\$764,644</u>	<u>72</u>	<u>\$727,427</u>

a/ Funds for the period 1 April - 30 June 1957 had not been credited to the allotment accounts as of 30 April. As of 31 May there were seven projects with overobligations totaling \$10,082.

8. Area divisions may, and frequently do, request increases and decreases during the year in individual project allotments as operational needs dictate, subject to individual project limitations set by the Project Review Committee or other authority and the over-all ceiling of the annual funding program. The Office of the Comptroller, Budget Division, usually approves all such requests. Similar approval has not been granted for supplemental allotments requested after the close of the fiscal year except on a selective basis, because the Budget Division believes that supplemental allotments should be requested and approved in advance of obligation and not made for the purpose of eliminating "red" balances on the allotment records. Area divisions have expressed the opinion that they should be allowed more flexibility in the management of their funds and should be permitted to rearrange their allotment structure within their existing funds after the close of the year when all transactions have been finally recorded and some "red" balances have developed. They point out that the nature of the Agency's operations make accurate forecasting extremely difficult in many cases. They also state that they are frequently requested to relinquish part of their funds to finance an emergency operation only to discover later that commitments already in process in the field have caused the reduced allotments to become overobligated. Although area divisions are indeed faced with difficult administrative problems in the control of project allotments, it should be recognized that Agency Regulations and Public Law prohibit overobligation. Improvement should result in future

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years when allottees enjoy more flexibility through a greatly reduced number of allotments, as contemplated in Bureau of the Budget Bulletin No. 57-5. In the meantime every possible effort should be made to stay within authorized allotments, particularly in view of the increasingly tight funds situation.

Unliquidated obligations

25X1 9. Summary data on unliquidated obligations as of 30 April 1957 for area divisions, compared to total obligations for these divisions, is presented in the following tabulation:

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25X1 Specific information is available, of course, only on those unliquidated obligations applicable to the Headquarters portion of project allotments (details are not ordinarily available on obligations reported in station accountings). The bulk of charges to Headquarters portions of allotments were for routine administrative items such as payroll and travel, except for IO Division where charges represented primarily operational advances.

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in response to such a request. We believe that results obtained may warrant extending the practice and suggest that the Deputy Director (Plans) give consideration to initiating it as uniform periodic procedure for all area divisions.

#### Miscellaneous audit findings

11. Some other miscellaneous audit findings are discussed briefly in the following paragraphs:

- a. Three divisions (SE, FE, and IO) maintain the allotment control records in pencil. We believe that these formal accounting records should be maintained in ink.
- b. The estimated cost of PCS travel from Headquarters to Class A stations is obligated on the latter's records since travel accountings will be rendered in the field. SE Division also obligates this item during the year against the Headquarters portion of the allotment for reference purposes and then reverses the accumulated amount at the year end. This practice causes a temporary duplication of obligations (\$155,150 for one fiscal year 1956 allotment) and should be discontinued.
- c. A few instances were noted where correction of the fiscal year was made on expenditure documents by Finance Division without notifying the area division involved. Finance Division Operating Procedure No. [ ] issued subsequent to these cases requires that area offices be advised of all such corrections.

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#### Property authorization records

12. Although we reviewed property authorization records and examined selected transactions, we did not make a comprehensive study of applicable procedures because a representative of the Office of the Comptroller informed us that revisions probably will be made in the present property authorization system under Agency implementation of the "Improvement of Financial Management" program. We noted that three area divisions were maintaining property authorization control records in a manner different than prescribed by HB [ ] as discussed below:

- a. NEA and WE Divisions do not record property authorization transactions in the spaces provided on the present allotment control record but use separate forms which provide space only for requisitions and not for property issues. Thus, these subsidiary records cannot be related directly to Finance Division general ledger control accounts for issues and unfilled requisitions.
- b. SE Division uses the prescribed property record but does not post property issues monthly from the IBM listing

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provided. Instead, it accumulates issues on a separate worksheet and, when requisitions are completely filled, posts total issues for each requisition to the property authorization control record. Under this method postings to the property authorization control records are not made concurrently with postings to Finance Division general ledger accounts and therefore amounts shown for issues and unfilled requisitions will usually differ from those shown by Finance Division.

The Comptroller should review the property authorization procedures followed by NEA, WE, and SE Divisions and determine whether they represent satisfactory compliance with HB

#### Administrative Action Requested

13. The matters commented upon in this report which, in our opinion, require administrative action are summarized as follows:

##### Action by the Deputy Director (Plans)

- a. Complete the work on fiscal year 1957 records (SE Division) and maintain fiscal year 1957 (and succeeding years) allotment records on a current basis and in the prescribed manner until the allotments lapse. (Paragraph 6)
- b. Make every effort to stay within authorized allotments. (Paragraph 8)
- c. Review for possible cancellation or adjustment the Headquarters unliquidated obligations for fiscal year 1955 and 1956. (Paragraph 10)
- d. Give consideration to a uniform procedure for the periodic circularization of field stations for possible cancellation or adjustment of unliquidated obligations. (Paragraph 10)
- e. Maintain allotment control records in ink. (Paragraph 11a)
- f. Discontinue recording PCS travel expense to Class A stations against the Headquarters portion of project allotments. (Paragraph 11b)

##### Action by the Comptroller

- g. Complete the preparation and issuance of a Handbook on allotment control procedures for Headquarters allottees. (Paragraph 3)

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- h. Determine action necessary by SE, NEA, and WH Divisions to provide satisfactory subsidiary records. (Paragraph 5)
- i. Consider making periodic inspections of the allotment records of all allottees. (Paragraph 5)
- j. Review the property authorization procedures followed by NEA, SE, and WE Divisions and determine whether they represent satisfactory compliance with  (Paragraph 12)

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Headquarters Audit Division  
Date of Report: 27 June 1957 /

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